

**Comments of  
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before the  
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## **I. Introduction**

The International Association of Machinists and Aerospace Workers (IAM) represents several hundred thousand workers in North America in a variety of industries, including ship building and ship repair, electronics, woodworking, transportation, and of course aerospace. IAM members work for both prime and sub-tier contractors, producing, manufacturing, assembling, servicing and maintaining a wide variety of systems and products directly and indirectly related to the defense industry. Our members have helped build some of the world's largest and most successful defense companies -- including Boeing, Lockheed Martin, Pratt & Whitney, and General Electric. In addition to basic concerns for our nation's security, the IAM has a vested interest in ensuring that the U.S. defense industrial base is vibrant and robust, now and well into the future.

Given our members' unique position as an essential and indispensable component of the U.S. defense industry, our continued warnings of the demise of the U.S. manufacturing base (including defense), and deep concerns over China's massive growth in manufacturing, we are honored to appear before you today.

In order to fully understand the potential threat that China poses, it is necessary to begin with a summary of the current state of manufacturing and its impact on our defense industrial base. This is followed by a brief review of the rapid development of manufacturing in China. The last section of this testimony includes a summary of proposals that we urge U.S. policy makers to consider in addressing these matters.

## **II. U.S. Manufacturing is in Crisis**

The importance of the U.S. defense industry to our nation's economic and physical security cannot be questioned. The industry is responsible for designing, producing, and maintaining many of the world's most sophisticated weapons systems. U.S. defense workers are indispensable to this industry. The loyalty, dedication, productivity, and skills that they display day after day has made this industry such a success. Their contributions have also helped to ensure our physical security.

The industry itself is also a vital factor in our nation's economic security, directly and indirectly employing hundreds of thousands of individuals. Many U.S. communities

have prospered because of the industry and various regions of our country have grown economically dependent on it. The industry is also responsible for creating and fostering new technologies which have assisted in the development of new industries, giving rise to further employment.

In view of the importance of the defense industry to our nation, it is inconceivable that policy makers would not take every possible step to maintain and strengthen it. Sadly, as outsourcing, offsets, co-production, and other similar activities grow, U.S. employment is shrinking. Overall, we have lost roughly three million jobs in the manufacturing industry in the past few years. In the aerospace industry for example, several hundred thousand jobs have been lost over the past several years.

Many years ago as the U.S. manufacturing industry began to leave our shores, it was a steady drip. That drip has become a tidal wave. As these jobs disappear to countries like China, our nation's ability to manufacture basic goods and components, let alone develop new technologies critical for future industries, leaves us vulnerable to the uncertainties that await us.

Our shrinking industrial base raises fundamental questions about our future ability to meet our nation's defense needs. The IAM hosted a conference a year ago bringing together defense workers, defense industry representatives, and industry experts to discuss this very matter. Participants were asked two basic questions:

“First, will the U.S. have the unique tooling to manufacture the means of its own defense in seven to ten years, and second, will the U.S. still have the workforce skills needed to operate those unique tools and manufacture those weapons by then?”

IAM President Tom Buffenbarger who moderated the roundtable discussion summarized the reality we now confront, “From ships to aircraft to land-based weapons systems, we have traded homegrown expertise and capability for low-cost foreign suppliers and a questionable supply chain that makes us vulnerable in a way we never were before.”

In reaching this conclusion, Buffenbarger noted several of the comments made by defense workers who participated in the discussion. Many of these comments described the outsourcing of manufacturing work to other countries. They noted that at the same time that once vibrant U.S. industries like shipbuilding were shrinking, the same industries were growing in other countries, like China. Similar comparisons were made to aerospace.

Participants were keenly aware that with the disappearance of these basic commercial and defense industries the our basic skills that are needed for our defense industrial base were also disappearing. One participant noted, “To do a good job, the first thing you have to have is good tools and good tooling. Yet, we are fast losing all of our tooling skills in this industry...” As the average age of “machinists and other skilled

production workers” approaches 55 years, these much-needed skills are disappearing and disappearing fast. Buffenbarger summarized the discussion in the following fashion:

“As our industrial base shrinks, machine tooling capacity diminishes, and workforce skills vanish, we lose something uniquely American: the ingenuity and productivity of our people...[W]orse yet, we leave ourselves unprepared to deal with future contingencies. We will lack the capacity to meet threats head on.”

### **III. Manufacturing in China**

While dramatic concerns over the health of the U.S. defense industrial base continue, it is well established that the general manufacturing industry in China is flourishing. Any question over China’s emergence as a manufacturing center can easily be answered by yet another report of just one more month of a phenomenal and record-setting trade surplus. As China consumes the world’s raw materials to fuel its manufacturing industry, many have raised concerns over basic shortages of those same materials which are necessary for industries here in the U.S. and for suppliers in other countries. Moreover, as China develops the capacity to enter such leading edge industries as aerospace, more concerns are raised with respect to future competition and the negative impact that it could have on what manufacturing may remain here at home.

The most bitter irony of course is that some of China’s industries have been aided by the transfer of production from the U.S. The IAM has been raising this alarm for several years now. We are only too mindful of the offset deals and other forms of outsourcing that continue to result in the transfer of technology and production to China in the commercial manufacturing industry.

As we have also stated, and has been well-documented previously by this Commission and many, many others, workers in China do not enjoy fundamental human rights. As the AFL-CIO explained by filing a trade petition against China with the United States Trade Representative, China’s failure to permit its workers to enjoy the right to form a union and to engage in collective bargaining is a market distorting mechanism which artificially holds down wages. As the petition also explains, this results in the loss of thousands of U.S. jobs.

### **IV. Developing Solutions**

1. Acknowledge the growing threat to the U.S. defense industrial base that is created, in part, by outsourcing.

Outsourcing of commercial and defense manufacturing production poses a major threat to the U.S. defense industrial base and U.S. defense workers. Policy makers cannot begin to grapple with this urgent matter if they do not fully grasp the full extent of this growing crisis.

2. Develop and implement a comprehensive solution in a timely fashion.

The U.S. cannot wait any longer in devising solutions to the issues outlined in this testimony. Such solutions should be based on full consideration of a variety of matters both directly and indirectly related to our defense industrial base. These matters include currency valuation, non-enforcement of trade policies, outsourcing, and tax policies that reward corporations to produce outside of the U.S. Other policies are also needed to spur innovation and research and to make certain that the jobs that they create remain in the U.S.

Major efforts must be made to provide workers with the special skills that are required for work in this highly skilled industry. We must also provide incentives for workers to gain these skills. This means, among other things, that good and decent jobs must be waiting for them after they learn these skills. Workers must also be confident that their jobs will continue well into the future.

One novel idea that has previously been mentioned involves the use of economic impact statements. The idea is relatively simple: Prior to any government award, contract, or assistance, a careful review must be made to determine (with as much precision as possible) what impact that activity will have on employment here at home. This review would include an analysis of the direct and indirect employment impact both in the short term and in the long term. The short and long term analysis would include consideration of transfers of technology and production.

3. Review the industrial policies of other nations, particularly China.

Much of what we know about China is that we don't know as much as we need to. Ignorance is surely not "bliss" when it comes to food safety or safety issues involving a multitude of other products. While questions over pet food, toys, toothpaste, and tires have been in the news recently, questions over quality have been raised for several years. The time to ask fundamental questions about the materials and products we are receiving from China is now—not after it is too late.

Likewise, the same is true when it comes to assessing the impact that disruptions of our supply chains can have on our economy and on our defense industrial base. We must also undertake a careful review of whether we will have the raw materials when we need them. Questions over the scarcity of these materials and China's role should be comprehensively and quickly explored. Of course, fundamental to all of these issues is the basic concern over transparency in China, especially with respect to manufacturing and its own defense industry (as well as human rights).

## **V. Conclusion**

As mentioned at the outset, the IAM is grateful for the opportunity to appear before you today. We also extend our appreciation to the Commission for its tireless work on this highly critical matter. We hope our testimony has been helpful.